

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 L-02 SS-15 NSC-05

TRSE-00 PA-02 PRS-01 USIA-15 OC-05 CCO-00 OMB-01

XMB-04 /082 W

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R 222241Z APR 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 6214

UNCLAS OTTAWA 1460

POUCHED INFO ALL CONGENS CANADA

E.O. 11652: N/A

TAGS: EAIR, CA

SUBJECT: CIVAIR: DOMESTIC AIR FARE INCREASE PROPOSED

1. AIR CANADA AND CP AIR CITING INFLATIONARY PRESSURES HAVE FILED WITH CANADIAN TRANSPORT COMMISSION (CTC) FARE INCREASES DESCRIBED AS AVERAGING ON A NATIONAL BASIS 10 PERCENT FOR ECONOMY AND 14 PERCENT FOR FIRST CLASS. THESE AVERAGES, HOWEVER, MASK INCREASES OF GREATER MAGNITUDE ON SHORT HAUL SERVICES WHERE NOT ONLY WOULD MAJOR UPWARD ADJUSTMENTS BE MADE BUT WEEKEND DISCOUNTS ALSO ELIMINATED. NEW FARES WOULD COME INTO EFFECT AUTOMATICALLY ON MAY 19 UNLESS SUSPENDED BY CTC.

2. TRANSPORT MINISTER JEAN MARCHAND IN COMMONS APRIL 18 TERMED FILINGS EXAGGERATED AND STATED HE WOULD REQUEST CARRIERS TO EXERCISE RESTRAINT. MARCHAND REPORTED IN PRESS ALSO AS HAVING DESCRIBED TIMING OF INCREASE AS BAD BECAUSE GOVERNMENT IS SEEKING RESTRAINT IN WAGE AND PRICE CHANGES FROM BOTH INDUSTRY AND LABOR. CARRIER PROPOSALS WOULD BE ON TOP OF TWO 1974 INCREASES WHICH TOTALED 20 PERCENT (OTTAWA A-387, JULY 31, 1974; UNCLASSIFIED

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OTTAWA 2307, JULY 22, 1974 AND PREVIOUS). SECOND 1974

INCREASE RESULTED IN FORMAL OPPOSITION FROM CONSUMER ASSOCIATION OF CANADA (CAC) WHICH FORCED CTC INTO AN UNPRECEDENTED REVIEW ACTION WITH RESPECT TO AIRLINE FILINGS. ALTHOUGH CTC CHARACTERIZED CAC INTERVENTION LAST YEAR AS "FRIVOLOUS" THERE IS SPECULATION THAT CAC WILL REPEAT EFFORT THIS YEAR.

3. ANALYTICAL ARTICLE IN TORONTO GLOBE AND MAIL APRIL 22 SUGGESTS CANADIAN CARRIERS TRAFFIC GROWTH LIKELY TO DECLINE SIGNIFICANTLY FROM 22 PERCENT IN 1973 AND 12 PERCENT IN 1974 TO 2-5 PERCENT RANGE FOR 1975. AIR CANADA CURRENT PROJECTION AT TWO PERCENT, ESPECIALLY SMALL IN VIEW LARGE PREVIOUSLY SCHEDULED CAPACITY EXPANSION (ONE MORE B-747 AND SIX MORE B-727'S) TO TAKE PLACE IN SUMMER AND FALL. CP AIR, ALSO INTRODUCING NEW CAPACITY, EXPECTS GENERAL TRAFFIC LEVEL SIMILAR TO 1974 WHILE REGIONALS EXPECT ONLY FIVE PERCENT INCREASE.

4. AIR FARE ANNOUNCEMENT COINCIDED WITH PUBLIC DISCLOSURE POSSIBILITY CERTAIN FINANCIAL IRREGULARITIES IN AIR CANADA. TRANSPORT MINISTER MARCHAND BRUSHED OFF OPPOSITION EFFORTS SECURE WIDE RANGING INVESTIGATION (INCLUDING ACCOUNTING PROCEDURES AND LABOR RELATIONS) OF CROWN CORPORATION BY AGREEING TO NARROW INQUIRY ON SPECIFIC ISSUES INVOLVED. IT IS NOT CLEAR AT MOMENT WHETHER CHARGES RELATING ALLEGED IRREGULARITIES WILL HAVE ANY SIGNIFICANT EFFECT ON AIR FARE SITUATION.

5. NEWSPAPER CLIPPINGS ON THESE ISSUES BEING FORWARDED TO STATE EB/OA/AN(STYLES), CAB (LITTON) AND DOT (EASTMAN). PORTER

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